



HIGHLAND CITY

**HIGHLAND CITY COUNCIL WORK SESSION
MINUTES**


Tuesday, March 14, 2023

Approved May 2, 2023

Highland City Council Chambers, 5400 West Civic Center Drive, Highland Utah 84003

VIRTUAL PARTICIPATION

 YouTube Live: <http://bit.ly/HC-youtube>

 Email comments prior to meeting: council@highlandcity.org

7:00 PM WORK SESSION

Call to Order – Mayor Kurt Ostler

The meeting was called to order by Mayor Kurt Ostler as a work session at 7:04 pm. The meeting agenda was posted on the *Utah State Public Meeting Website* at least 24 hours prior to the meeting.

PRESIDING: Mayor Kurt Ostler

COUNCIL MEMBERS

PRESENT: Brittney P. Bills, Timothy A. Ball, Kim Rodela, Sarah D. Petersen, Scott L. Smith

CITY STAFF PRESENT: City Administrator Erin Wells, City Recorder Stephannie Cottle, City Engineer/Public Works Director Andy Spencer

OTHERS PRESENT: Jon Hart, Roger Timmerman, Athina Riddell, Jon Hagen

1. FIBER OPTIONS

The City Council will discuss fiber options for Highland City and review the results of the citizen survey. No formal action will be taken.

City Administrator Wells explained the purpose of this work session is to discuss with the Council the overall benefits of fiber, review previously discussed fiber project models, analyze the results of a community survey regarding fiber, and to receive direction from the Council as to how the City should move forward. Fiber currently provides the fastest internet connection possible; technologies such as cell towers and 5G rely on a fiber backbone and these technologies seem to be ‘here to stay’. The benefits of a City-wide fiber project include providing a fiber option to every Highland home and more options for schools located in Highland. The City can also use fiber for cameras, water meters, the SCADA system, smart sprinkler controllers, and other infrastructure. Ms. Wells provided an overview of the presentations the Council has received from various service providers, all of which expressed a willingness to be flexible in working with the City to provide the best level of service to users. These providers include Comcast, STRATA, Utah Broadband, UTOPIA/UIA, CentraCom, and Google Fiber. The Council has also discussed the potential creation of a special service district

or assessment area to identify underserved areas and partner with a provider to run a fiber option to those areas. There has also been some discussion of leaving the matter of fiber buildout in the City to the free market. Staff is seeking direction on specific consideration points, not on specific providers, and the next step would be to negotiate with a certain provider or issue a request for proposals (RFP) to allow any interested providers a chance to submit a formal proposal.

There was a brief discussion about the take rate required by each of the providers, with Ms. Wells noting that the take rate will be a data point that the City can ask for in its RFP; the take rate numbers that have been discussed between the City and providers to date have been general in nature.

Ms. Wells then reviewed the results of the citizens survey regarding fiber internet service. The Highland City Internet Survey launched on February 21, 2023 and closed on March 6, 2023. Respondents were able to complete the survey as a resident or as a business. Entries were limited to one person and duplicates were removed from this data report. The survey questions were developed to attempt to answer three main questions.

1. What is the current need and availability of internet in Highland City?
2. Would the residents and businesses in Highland City be interested in an open access network from the City?
3. Would the residents and businesses in Highland City support the City issuing a bond to pay for a city-wide fiber network?

She noted 98.8 percent (1,090) of the responses came from residents and 2.2 percent (25) from businesses; four responses were received from individuals and/or businesses not located in Highland City and were disqualified. The 2021 Census estimates Highland's population of 18-and-older individuals at 11,767; with a 95 percent confidence interval, the sample size of 1,118 provides a 2.79 percent margin of error. The average age of respondents was 50.6 years. She then noted that as proven in the survey results, the internet continues to be utilized for important applications in the household, with 81 percent of the respondents working at least part-time from home and 73% percent relying on the internet for some degree of schoolwork/remote learning from home. Respondents provided information about their current providers; 76.5 percent subscribe to Comcast, with 10 percent subscribed to Century Link. The primary reason for selecting an Internet Service Provider (ISP) was speed, followed closely by the provider being the only available option, and third being the cost. This indicates that citizens value speed and affordability when they have options to choose from. Most reported that they are generally satisfied with the speed and reliability of their current service. However, 17 percent were dissatisfied with their internet speeds, and it is known that bandwidth requirements will continue to increase to support the growing applications for internet/connectivity. The survey indicates that fiber internet is not widely available to City residents, which is also supported by respondent comments. Dissatisfaction levels increase when it comes to price; 71 percent of respondents feel neutral, dissatisfied, or very dissatisfied with the cost of their current service. Of those that know the cost of their internet service, 64 percent are paying more than \$60 per month for their internet. Of those that listed their internet speed, 54 percent are subscribed to 250 Mbps or less. Relative to speed and cost, she concluded the survey results indicate that over half of the respondents (54 percent) are subscribed to internet plans offering 250 Mbps or less and 64 percent are paying more than \$60 per month. These findings tell us that most are paying higher than the standard rates on open access networks in Utah, despite receiving slower internet speeds than what fiber networks can offer; 34 percent of respondents indicated that they bundle their internet with other services such as TV or phone service. Not surprisingly, the majority of those that are bundling services are paying more than those who subscribe to internet alone. She then discussed responses to the questions relating to interest in an open access network from the City; when asked, "Would you switch from your current service to a fiber network with greater or similar speeds for the following monthly costs?" Responses were given on a sliding scale with one being Definitely No and 10 being Definitely Yes. The data suggests that the majority would generally support switching to a fiber provider if priced between \$70-\$80. This price range is typical for gigabyte speeds offered on open access networks. As part of key question three, the following paragraph was presented to the respondent in order to provide context: "The City is currently scheduled to pay off its last remaining bonds in 2027. Deploying a city-wide fiber connection would require the

City to either take out a bond itself or back the bond of a selected fiber vendor. Depending on the model selected, the bonding amount is expected to be between \$4 million to \$20 million. In both scenarios, the objective is to cover the financial bond commitments with revenue from fiber customer sign-ups. Any deficiencies would need to be covered by general city funds. How supportive are you of the City directly issuing or partnering with a company to issue bonds to install a city-wide fiber network?" She reported 67 percent of respondents are supportive of the City issuing a bond, with 41 percent being very supportive and 26 percent being somewhat supportive.

Council Member Smith stated it is important to remember that this is an internet survey taken by people who use the internet regularly; there are many in the community who do not fit into that group who may have a difference of opinion. If the City were to consider bonding for this project, he would recommend the issue be submitted to the residents in an upcoming election.

Ms. Wells then stated that the survey provided residents an opportunity to submit general comments about the subject matter; STRATA summarized the comments and categorized them relating to internet service, cost, opposition to using taxpayer dollars for the project, a need for education on the need for fiber and the City's partner in the project, and misconceptions regarding 5G speed. She emphasized there were many supportive comments, but also some unsupportive comments, and all have been provided to the City Council. She concluded Administration is looking for direction from the Council at this time; she noted the following questions are to be answered:

- Are you interested in the City bonding to ensure every home in Highland has a fiber option?
- If yes:
 - Do you want the City to directly bond, or do you want to bond through an interlocal entity?
 - Interlocal would keep the bond directly off Highland's "books", but could mean higher costs and less control for the City. Would diffuse some risk with shared pool.
 - Do you want the City to own the network?
 - Would mean greater risk for the City, and likely more employees at least temporarily, but we would control our future/ could make an operator change if needed.
 - Do you want a revenue sharing option for the City?
 - Requires more risk to the City, but has the potential to be a long-term revenue source.
 - Do we want to do a utility model, where every household pays a small portion, regardless of whether they subscribe or not?
- If no to bonding:
 - Explore options for underserved pockets in our community?
 - Special Service Districts
 - Explore options for city-wide project with no revenue sharing, sole-source provider, network owned by provider?
 - Would likely take a long period of time.
- Allow the free market to manage?

Other questions:

- Do you want the fiber to be sole source or open access?
 - Open access would require likely mean more risk to the City, but would give more consumer choice.
- Do you want to have the City continue to put conduit in open trenches to lease to fiber providers?

Mayor Ostler stated that he has performed some calculations on a bond; if the City were to bond for \$15.5 million with a five percent rate and a 30-year term, the monthly payment would be \$83,207. It would be necessary to get 2,080 subscribers in order to cover that debt service cost. Council Member Rodela inquired as to the subscription rate in that formula. Mayor Ostler stated that would depend on the model decided upon between the City and the service provider; the approximate monthly cost for the user would be \$80 and that

would be split evenly between the City and the provider. Users would have the option of paying a higher monthly fee for better speeds. He noted that he figures that for every \$1 million bonded, the City would need 144 homes signed up for the service. The group engaged in high level discussion and debate regarding the takeaways from the survey; required take rates depending upon different ISPs and revenue sharing options. The Mayor polled the Council to determine if they are interested in bonding for a fiber project. Council Member Petersen stated she is not willing to bond for the full amount of the project, but she is willing to consider a smaller bond amount that would cover the City's share of the project. She added she would like for the City to receive formal proposals from STRATA, Utah Broadband, and UTOPIA/UIA because she would like to understand the City's investment and revenue sharing potential in a project with each of those providers. She is also interested in the financial stability of each of the companies; if the chosen partner were to go out of business, the City would assume the full burden of the project. Particularly, if the UTOPIA business model will continue to be viable if no additional cities join forces with them.

UTOPIA Representative, Roger Timmerman, stated that UTOPIA has two different models; one model would allow the City to bond for and pay for the network, and also own it, with UTOPIA simply being named as the City's fiber contractor. This is actually an easier model for UTOPIA, but it is not the preferred model. UTOPIA's primary model would provide for the City and UTOPIA to share the cost structure and debt service and UTOPIA will own the system. He stated that different cities have chosen different models that they felt were best for them, but if the City wants to mirror pricing in other cities, the UIA partnership model is the best.

Mayor Ostler stated that as the fiber market has matured, he believes that all providers the City has heard from have secure financial backing. He then summarized Council Member Petersen's feedback as he interpreted it; she is comfortable with a bond of approximately \$4 million, publishing a RFP for official proposals from ISPs, and pursuing revenue sharing.

Council Member Bills inquired as to the parameters for placing a bond question on the 2023 Municipal Election ballot. City Recorder Cottle stated she will need to review the timelines for submitting ballot questions to the voters. This led to brief discussion of the types of issues that can be submitted to the voters via an opinion question. Mr. Timmerman noted that the State of Utah adopted legislation in recent years that allows an opinion question, but it requires very precise language about the terms of the bond, which is intended to dissuade voters from voting in support of the bond. Council Member Bills asked if a bond issuance decision is referable, to which Ms. Wells answered yes.

Council Member Petersen stated that she would also be supportive of securing funding for the fiber project by other means than a bond, but she is not supportive of issuing the bond for the entire project cost, which has been estimated at \$15 million.

Council Member Rodela stated she is willing to consider bonding if it results in an investment for the City that will eventually create an additional revenue source. She needs additional information via the RFP process to determine if this is a good investment for the City. Mayor Ostler agreed; he is concerned about the take rates required to achieve revenue generation for the City.

The Council engaged in discussion about different business models through some of the ISP's they have heard from to date; Mayor Ostler stated that there are different developers completing larger projects in the City and it may be that the homeowners' associations (HOAs) for those projects will contract with an ISP for their residents; he is interested in hearing how this will impact the City's take rate in the future.

Council Member Smith stated that the City has previously had \$18 million of bonded debt, but it is almost debt free at this point. He is worried about issuing a large bond for this project, though he sees the advantages of a City-wide fiber system. He believes it may provide long term revenue for the City, but he does not want to vote to issue a bond without first allowing the residents to vote on increased debt. He also feels there are some

advantages to owning the fiber system. He stated he may be able to support Council Member Petersen's recommendation of a lower bond amount, but he does not want to do any bonding without a direct vote from the residents. Council Member Rodela stated that an opinion question can be placed on the ballot. Council Member Smith agreed, but referenced Mr. Timmerman's comments about ballot language for a bond opinion question and noted that it would likely not receive voter support.

The Council discussed recent bonding issues in other communities; Mayor Ostler stated that UTOPIA has a model where they would issue the bond, but the City would provide some support for debt service of that bond. Council Member Bills agreed, but noted that she feels that would be the same as the City issuing the bond and she still needs more information or feedback from residents before supporting that model.

Council Member Ball stated that he is most interested in a model that will provide the City with a revenue source in the future; however, he is concerned about economic forecasts and the potential economic downturn that could impact the City. He may be willing to consider a smaller bond amount, but he feels it would be irresponsible to issue an \$18 million bond for this project. He also wants concrete information from the different providers via an RFP regarding cost sharing and revenue projections; he cannot make an informed decision without that information.

Ms. Cottle then noted that August 24 is the last day for the Council to make a decision to place a bond question on the 2023 ballot.

Council Member Bills stated that she agrees with Council Member Smith about needing input from the residents before issuing a bond; she would be willing to explore options for placing an opinion question on the 2023 ballot regarding this issue. She is also more supportive of a lower bond amount, and she does not see any harm in publishing a RFP to receive information from the ISPs regarding revenue projections and service provision. This led to discussion among the Council regarding the appropriateness of participating in the provision of a service that will generate revenue for the City. Council Members Ball and Petersen stated they feel it is responsible to participate in a program that responds to demand from residents and could also generate revenue to fund the City in the long term.

Ms. Wells stated based on Council feedback to this point, it is her understanding the Council is interested in getting information about the process to include an opinion question on the 2023 ballot and they also want to pursue a RFP that will ask for information on cost sharing and issuance of a lower bond amount.

Council Member Rodela stated that she is interested in bonding; she noted that she does not believe bonding is a bad thing for a City to do. If the City had bonded for the Mountain Ridge project, it would have been a much better project and the City would have actually saved money in the long term. She stated that debt can be good at times and can save the City money if it is done correctly. Mayor Ostler stated that the original bid for Mountain Ridge Park in 2019 was \$5.4 million, but that did not include the playground. Since then, the total cost has increased to over \$9 million due to inflation. However, the City has received American Rescue Plan Act (ARPA) funding that can be used for various purposes; additionally, the City can use Park Impact Fee revenues for the project. Council Member Smith stated it would be necessary to calculate financing costs to determine the total cost of debt when compared to saving cash to complete a project.

Council Member Ball stated that he is more in favor of a smaller bond amount as he wants to be conservative given the uncertainty of the economy in the future. He would also like to proceed with a RFP to receive solid information that would inform any decisions made regarding bonding and revenue projection. Council Member Petersen agreed; she does not want to make a decision on bonding until the Council has a financial forecast about the project. Council Member Smith stated he would not be totally opposed to a smaller bond as long as the public has the opportunity to weigh in on the matter. Council Member Bills agreed that it is important to be confident that this is what the residents want and that they are comfortable with the bond issuance. Council

Member Petersen agreed. It is important to understand what the residents want. She also likes the idea of pursuing a project that will eventually generate revenue for the City to help reduce reliance on tax revenue.

Mayor Ostler asked if the City should be in the business of revenue generation. Council Member Ball stated that the City will eventually be built out and there will be no steady building revenue to fund the City. The first priority should be to provide service, especially one that is almost considered a necessity by modern society; internet is a necessity and fiber opens a door to newer technologies that the City would not otherwise be able to secure through Comcast.

Council Member Smith asked if most of the City's bonds are managed by Zion's Bank. Ms. Wells answered yes. Council Member Smith stated Zion's is on a watch list published by Moody's as they are projected to 'go under'. This should be taken into consideration if the City decides to pursue bonding as any current bonds may be callable to shore up Zion's base.

Mayor Ostler attempted to summarize the feedback from the Council. He noted Council Member Smith is opposed to bonding, unless it is a very small bond. He noted that both Council Members Smith and Bills are not in favor of bonding unless they receive support from the residents via an opinion question. Council Member Petersen is comfortable with a small bond. Council Member Rodela is in favor of bonding, but would also like to submit the issue to the voters in the upcoming election. He noted he is confused about Council Member Ball's position and asked him to clarify. Council Member Ball stated that he cannot make a decision on bonding without concrete number; he leans toward supporting a bond if the data supports it. Council Member Rodela stated that the Council is not being asked to make a formal decision tonight; rather, they are only being asked to communicate their interest in pursuing any of the options before them, one of which is to get more information and a cost benefit analysis. Council Member Ball stated that he is willing to pursue the cost benefit analysis; he is interested in bonding, but will not support a bond without clear information. Ms. Wells stated Administration will explore the process for submitting the issue to the voters in the 2023 election. She then asked if the City Council would be interested in a direct bond or a bond through an interlocal entity. Council Member Petersen stated that a City bond would be more transparent, and the City would be able to control the debt. Council Members Rodela and Ball agreed, with Council Member Ball reiterating he still needs more information on the issue before making a firm decision.

Ms. Wells asked if the Council wants to pursue a revenue sharing option for the City. The Council answered yes.

Ms. Wells stated there is an option to pursue a utility type of model whereby all households would pay a monthly utility fee, not just subscribers. She asked if the Council is interested in that model, to which the entire Council answered no.

Ms. Wells then facilitated discussion about whether to pursue a sole source or open access system. Mayor Ostler stated that if the City is going to do a smaller bond, the only option would be to pursue a sole source system to choose one provider to carry the remaining debt. Ms. Wells then noted that the final question for the Council to answer is whether to continue to install conduit in open trenches to lease to fiber providers in the future. Council Member Petersen indicated she needs to understand the costs and the potential future uses of the fiber. Council Member Rodela stated that the cost to install while a trench is already open will definitely be much lower than installing in the future after a road is closed. Ms. Well stated she will get more information on the costs of the work and present that to the Council during upcoming budget discussions.

Mayor Ostler concluded by summarizing the feedback of the Council; the City will publish a RFP soliciting specific proposals from ISPs that are interested in sharing a portion of the debt for the project, revenue sharing, subscription prices, and the City's percent of ownership of the network. He noted there are many unknown and

unforeseen costs or matters that will impact these matters in the future. Ms. Wells stated that all proposals will be provided to the Council for their evaluation.

Mr. Timmerman offered a suggestion; he has seen success in cities where a broadband committee has been created to consider the issue, write the RFP document, interview those who provide a proposal, and make a recommendation to the City Council. He noted that cities that have done that have placed a Council Member or the Mayor on the committee. Council Members Rodela, Bills, and Petersen stated they like that idea. Council Member Rodela nominated Council Member Ball to participate with that type of committee. Mayor Ostler stated that he can also participate with a committee, and it will be important to recruit residents with technological expertise to participate.

Ms. Wells thanked the Council for the direction they provided tonight; she will begin working on the recommendations made by the Council, but noted that due to the workload this cannot be her top priority at this time. The Council stated they would like for a recommendation to be provided to them by the end of June. Mayor Ostler thanked the Council and staff for their efforts this evening.

ADJOURNMENT

Council Member Kim Rodela MOVED to adjourn the work session and Council Member Scott L. Smith SECONDED the motion. All voted in favor and the motion passed unanimously.

The meeting adjourned at 9:25 pm.

I, Stephannie Cottle, City Recorder of Highland City, hereby certify that the foregoing minutes represent a true, accurate and complete record of the meeting held on March 14, 2023. This document constitutes the official minutes for the Highland City Council Meeting.



Stephannie Cottle, CMC
City Recorder